Microsoft Business Solutions Q&A

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TOP EXECUTIVE Q&A

Q. What is Microsoft's vision for business applications?

A. Microsoft fundamentally believes that technology can change the way small and mid-sized companies conduct their business. Microsoft Business Solutions applications help benefit customers by increasing their productivity, streamlining their business processes and enabling better business decision making. Microsoft Business Solutions helps customers focus on their business by helping eliminating inefficiencies and driving down costs through integrated business applications that connect people and organizations. Microsoft has a vision of global leadership in business applications for small and mid-sized businesses and divisions of large organizations which it will execute by bringing a solid, proven track record of technology innovation, customer value, and a world-class partner community.

Q. What is Microsoft Business Solutions' customer value proposition?

A. Microsoft Business Solutions applications empower small and mid-sized businesses and divisions of large organizations to connect the people, processes and information they need to help improve business agility, increase business insight and run their business more efficiently. When customers invest with Microsoft Business Solutions, we provide them with what we like to call a "solutions continuum." Our "solutions continuum" methodology evolves throughout a customer's lifecycle and scales to meet their specific business needs. Together with our partners, we want to equip companies with the solutions they need to reach their business potential.
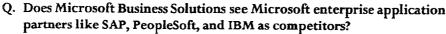
Q. How does Microsoft Business Solutions define its target market?

A. Using Microsoft internal customer segmentation taxonomy, Microsoft Business Solutions targets the core small and mid-sized business segments and divisions of large organizations. Microsoft defines core small business as having 1 to 49 employees, mid-sized businesses as having 50 to 1,000 employees, and divisions of large organizations as having 1,000-5,000 employees. In terms of revenue, Microsoft Business Solutions targets customers with $1 million to $1 billion in annual revenue.

Q. Is Microsoft Business Solutions planning to take its products up-market into the enterprise market?

A. To move to the large enterprise market is not a natural extension of Microsoft Business Solutions' current business model — it would mean creating different products, different price points, different sales channels and building the infrastructure around that business. Rather than pushing to move "up" into the enterprise space, we are looking to move "out" into a broader range of global markets and industries within the small and mid-sized businesses and divisions of large organizations.

Q. **Does Microsoft Business Solutions see Microsoft enterprise application partners like SAP, PeopleSoft, and IBM as competitors?**

A. The small and mid-sized segments are highly competitive and largely underserved today, creating a significant opportunity for multiple companies to effectively co-exist. As some of the large enterprise ISVs move down-market, we will compete in some areas for the same customers. At the same time, Microsoft will continue to support our long-standing, healthy relationships with many of the large ISVs that build on our platform to deliver solutions to enterprise customers.

Q. **Now that Microsoft Business Solutions is offering industry-specific business applications, isn't it competing directly with many of its ISV partners?**

A. In a rapidly growing and evolving business applications market, Microsoft Business Solutions is committed to enhancing business opportunities for its ISV partner community. We believe there is a great opportunity to revolutionize how small, mid-size and corporate business customers' needs are met by working strategically with our ISV partners.

Microsoft Business Solutions focuses development today on cross-industry horizontal business applications and four broad industry-specific business applications (retail, manufacturing, distribution, and business and professional services), and depends on ISV partners to build applications and customize Microsoft products for small and mid-sized businesses and divisions of large organizations.

Q. **What is the strategy for rationalizing the various Microsoft Business Solutions products from Great Plains and Navision into a single offering, Project Green? When will this strategy come to fruition?**

A. Microsoft Business Solutions is committed to continuing to invest in and enhance all existing solutions within the Microsoft Business Solutions product family. However, one of Microsoft Business Solutions' key investments is to develop a next generation suite of business applications. This solution will be built from the ground up on the Business Framework, the enabling platform developed using Microsoft .NET technology, and is designed specifically for the next generation of connected global business solutions. Microsoft Business Solutions' customers will be able to move to this single solution when it makes most sense for them to do so.

MBS STRATEGY/NEXT-GENERATION SOLUTIONS

Q. **What is Microsoft's long-term strategy for selling direct to customers?**

A. Microsoft continues to believe that small and mid-sized business customers are best served by partners driving the sales processes in these markets. With divisions of large organizations, Microsoft sales professionals will take a bigger role in assisting partners in closing sales.

Within the enterprise account space, Microsoft will sell direct in specific cases where it is introducing new technology or at a partner's request.

Q. What are the main products that Microsoft Business Solutions currently offers?

A. Microsoft Business Solutions offers applications for financial management, supply chain management (SCM), customer relationship management (CRM) and analytics, available in four editions:, Microsoft Axapta, Microsoft Great Plains, Microsoft Navision and Microsoft Solomon. In addition, we offer the Microsoft Business Solutions CRM solution, Microsoft Business Portal, Microsoft Business Network, and Microsoft Retail Management System. We also have products targeted at the small business market, namely Small Business Manager, and bCentral online services.

Q. What is the .NET strategy for your business solutions?

A. Microsoft's $2.4 billion investment in business applications is in direct alignment with the mission of enabling people and businesses throughout the world to realize their full potential. Microsoft has the opportunity to transform today's underserved business applications market and make the promises of unrealized potential come true.

The Microsoft Business Solutions development strategy is twofold:

> Expand and strengthen today's solutions with new software offerings and enhancements to help customers continue to realize a return on their investment, increase efficiencies and improve productivity.

> Develop a totally new and innovative next generation Microsoft Business Solutions business applications suite. (Referred to as "Project Green")

This development strategy is backed by significant customer and industry research along with increased development (R&D) resources, which includes people and financial investments. Microsoft is in a unique position to execute on this strategy because of its commitment to ongoing innovation through research and development and its ability to invest for the future.

Developing this next generation business applications suite is an ambitious project and, much like Longhorn, is several years away from availability. Our number one priority is shipping the best possible software that exceeds the needs of our customers – today and in the future.

Microsoft Business Solutions, building on its core assets from the acquisitions of Great Plains and Navision, now has one of the industry's most significant research & development efforts focused on small and midmarket businesses. Microsoft has an exciting product roadmap that will enable businesses worldwide to increase their agility and insight through interconnected solutions while ISVs will see an unprecedented wave of new opportunities as part of this expanding ecosystem.

Microsoft Business Solutions is committed to providing business applications and programs designed to help customers and partners achieve lasting success. To enable the benefits of solutions that empower companies to connect the people, processes and information they need to help improve business agility and run their businesses more efficiently, Microsoft Business Solutions will make significant investments across its current and future solutions.

Q. **Microsoft Business Solutions will still offer several overlapping solutions for the midmarket. How will you differentiate these products? How will customers and partners know which product is the best fit for each business?**

A. Our product differentiation can be outlined as follows:
   > Axapta – Designed for companies with multi-national operations with particular strengths for advanced manufacturers – script – by multi-national, we mean multi-location, multi-currency and multi-language off of a single instance of the application and database.
   > Great Plains – Cross-industry ERP for the entire midmarket, with rich out-of-the-box functionality and a broad set of ISV solutions.
   > Navision – Cross-industry midmarket ERP with flexibility and tools for building highly customized solutions to address unique business processes.
   > Solomon – ERP with particular strength in Project Management and Accounting – script – Microsoft Solomon is primarily focused in the US and Latin American markets.

We look to our channel partners to understand the strengths of products they sell and provide customers with the best fit. We remain committed to all product lines, and will continue to invest across all functional areas of each product, encouraging our channel partners to develop deep skills in fewer products, and pick up complementary or industry solutions such as Microsoft CRM, Microsoft Business Portal, Retail Management System and others to be released.

Q. **What is "Next Generation Microsoft Business Solutions on Longhorn (Project Green)?"**

A. You can think of this next generation suite as the Longhorn release of business applications. Longhorn represents a new software and technology wave that will define entirely new ways of computing. The fact that this next generation Microsoft Business Solutions applications suite will be a key part of the Longhorn release along side Microsoft Office and other applications demonstrates Microsoft's commitment to the business applications market. Because the final software may look quite different from the concept in development, it is just too early to talk about specifics of the software at this stage.
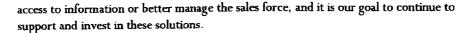
Q. How long will you continue to support Microsoft Axapta, Microsoft Great Plains, Microsoft Navision, and Microsoft Solomon?

A. We are committed to invest in and support Microsoft Business Solutions core enterprise resource planning (ERP) solutions— Microsoft Axapta, Microsoft Great Plains, Microsoft Navision and Microsoft Solomon. - through 2013. Microsoft Business Solutions has demonstrated commitment and innovation to its technologies in the past — far beyond the release of new platform solutions. For example, Great Plains Accounting, a DOS-based business solution, was enhanced and supported for 17 years, far beyond the initial release of our Great Plains (previously Dynamics and eEnterprise) software applications. We will continue to support current and new customers in the future as we begin to introduce the benefits and value that the next generation suite can bring to their businesses.

Our commitment includes the delivery of material upgrades to each of these ERP solutions. Near-term upgrades will include a new user interface aligned with Microsoft Office 2003, ease of use enhancements, tighter integration with other Microsoft software, and targeted functionality additions. We'll continue to aggressively seek customer and partner input as part of our research and development process. Across all offerings, our mission is and will continue to be to deliver the best possible solutions that exceed the needs of our customers. The Statement of Direction documents that provide additional details on the strategy for each of these solutions can be found on PartnerSource or can be requested from your local Partner Account Manager.

Q. Are any of the current Microsoft Business Solutions ERP products being used as the foundation for Project Green?

A. No. Our strategy is to build the next generation suite from the ground up on the latest Microsoft tools including Visual Studio. To accomplish this, we are taking a "best of" approach. For example, we're leveraging the model ease of use and deployment practices of Navision, the event-based customizations built into Great Plains, the metadata-store technology and object-driven development concepts with Axapta, and Solomon's visual basic foundation for customization, as well as the more than 20 years of development and domain expertise behind our current solutions.

Q. Why should a prospect acquire a current solution if a next generation Microsoft Business Solutions is coming?

A. Microsoft is committed to providing the best business applications software in the market. We believe that when you look at all factors, our software will be significantly more attractive then our competitors. To stay competitive, our customers need to examine their businesses and identify ways to innovate and implement solutions that can help improve their processes *today* and support their own long-term strategies. Microsoft Business Solutions applications deliver the functionality that customers need today to help improve their business processes, whether they are to help streamline the distribution process, improve

access to information or better manage the sales force, and it is our goal to continue to support and invest in these solutions.

Microsoft is in the unique position of having significant resources to invest not only in current generation technology but in the next generation technologies, too. Customer and partners can be assured that when the next technology shift occurs within the market, Microsoft Business Solutions will be there with applications that deliver breakthroughs in agility, connectivity and collaboration and a new generation of access to data analysis and business insight.

Additionally it is a reality that every software provider has "another version just around the corner". The difference with Microsoft is that we share our vision of the future so that customers can make informed decisions that benefit them most.

Q. Will customers need to "start over" with the next generation Microsoft Business Solutions when it's available?

A. No. It is Microsoft Business Solutions' goal to not only deliver major upgrades to our business applications but also provide new applications, built on the latest Microsoft tools that enable organizations to begin to take advantage of some of these breakthroughs associated with the latest technology shift. These are applications such as the Business Portal, Microsoft Business Solutions CRM and the Microsoft Business Network. At some point in the future, at a time that's appropriate for their businesses, customers will be able to move their entire systems to the future Microsoft Business Solutions business application suite.

Additionally, when the next generation suite is released, customers will be able to receive like functionality (as available) at no additional license cost made possible with Transformational Assurance. The Transformational Assurance benefit of the Enhancement Program provides that when customers license Microsoft® Business Solutions–Axapta®, Microsoft Business Solutions–Great Plains®, Microsoft Business Solutions–Navision®, Microsoft Business Solutions–Solomon, *including the Standard editions*, as well as Microsoft Business Solutions CRM, Microsoft Business Solutions—XAL and Microsoft Business Solutions—Apertum, and stay current on the Microsoft Business Solutions Enhancement Program, they will be able to move to the future Microsoft Business Solutions business application suite without having to reacquire the functionality they already license.

Q. What are the migration plans for the current software?

A. While this is still too far out to provide concrete details, we can say that beyond supporting our current ERP solutions, we are going to make sure that we provide migration programs when the next generation suite is available. Our plans include providing migration tools for all of our Microsoft Business Solutions software as well as support, training and migration
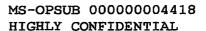
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labs for use by our partners and customers to ensure that we can take our customers to the next generation.

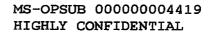## SMS&P ORGANIZATION

Q. **Who is leading the SMS&P organization?**

A. The sales and marketing organization is led by Orlando Ayala, a Microsoft veteran who formerly served as group vice president of worldwide sales and marketing. Orlando works very closely with Doug Burgum, who leads Microsoft Business Solutions, one of the seven core Business Groups for Microsoft. Orlando, Doug and their leadership teams bring a unique blend of product development, global sales and broad partner expertise and passion to the exciting challenge of helping small and midmarket businesses realize their full potential.

Q. **When you say you've intensified your long-term commitment to business solutions and are combining resources to small and mid-sized businesses and divisions of large organizations, what does this mean?**

A. It means we have combined our SMB and MBS sales and marketing assets to more efficiently and effectively deliver business solutions to our customers and partners. The SMS&P organization embraces the full range of partners and customers that fall within small and mid-sized businesses and divisions of large organizations. One size does not fit all for customers within these segments. Instead, they need a range of solutions, tools and platforms to realize their business potential. Microsoft will enhance its ability to meet the needs of customers and partners by aligning resources and improving business efficiencies.

Q. **I read that Microsoft is making an investment of $2 billion in its sales and marketing programs for SMS&P and R&D for MBS. How do you quantify this $2 billion investment? Isn't that a huge amount of money for a new project?**

A. This total investment of $2 billion dollars represents a combined investment in sales and marketing programs for SMS&P and R&D investments for Microsoft Business Solutions. These investments are targeted to small and mid-sized businesses and divisions of large organizations for FY04. While this does include some incremental funds, this does not represent R&D investments for other products outside of Microsoft Business Solutions; those are accounted for in their respective Business Groups. We cannot break this number down any further, though I can tell you that this level of investment signals Microsoft's ongoing, long term commitment to provide business value to small and mid-sized businesses and divisions of larger organizations.

Q. **Do these changes affect Microsoft's channel strategy?**

A. No. As the virtual sales force for Microsoft technology, partners will continue to be at the core of Microsoft's business model and the company is putting the power of the Microsoft

brand and resources behind its commitment to the specialized and certified channel, to ISVs, and to the continued growth and opportunity for all partners.

Q. Historically MBS has had a very close relationship with their partners. Does this change affect that relationship?

A. No. Microsoft is committed to providing support to partners. Its worldwide channel distribution strategy encourages long-term, lasting relationships with and among its community of partners and customers on both the local and global levels.

Q. What is Microsoft's strategy in the small and mid-sized business segments?

A. As Microsoft builds on its history of serving this market the company is moving to a position where, together with our partners, we can engage in a dialogue with customers to deliver solutions and services to meet specific business needs from the infrastructure and desktop, to business applications -- we have the complete value stack of solutions from the top to the bottom and we need to be doing a better job telling our value proposition more broadly to customers. Our value proposition is the integration of technology and the associated services that are delivered to our customers through our partner network.

Q. What are Microsoft's biggest challenges for 2004 in the SMB space?

A. Market fragmentation. There is a lack of access to broad automation and insight to the benefits of business solution applications. The challenge is to reach the more than 40 million small and mid-sized businesses in the right way, with the right message, at the right time in their business cycle. We have great products for small and mid-sized business customers and our job is to efficiently and effectively map customers with partners to help them meet their business needs. We're confident we have the right solutions in place to help small and mid-sized companies move forward.

Q. What are the top differentiators in your ability to reach the SMB market?

A. Our value proposition is the integration of technology, the associated services, and the ability to deliver solutions that effectively scale up or down to meet the specific needs of small and mid-sized business customers regardless of their size. In addition, we are uniquely positioned to service small and mid-sized business customers globally through a network of more than 775,000 worldwide partners. Our global partner network offers customers a vast choice of local resources to help them meet their business needs. It also provides them with a trusted advisor with whom they can build a relationship and rely upon for ongoing counsel and support.

Q. How many dollars is Microsoft spending on research and development?

A. Microsoft has a total $6.9 billion R&D budget – Microsoft is the only company spending more on software research than IBM. From an SMB-specific perspective we are making a $2

billion combined investment in sales and marketing programs for SMS&P and R&D investments for Microsoft Business Solutions.

Q. What were your total revenues last year from the SMB market?

A. Fifty percent of Microsoft's commercial business revenue comes from the small and mid-sized business customers.

ISV / PARTNER STRATEGY

Microsoft Worldwide and US Partner teams' recently announced the new Microsoft Partner Program. Microsoft will make public eight of the 11 solutions competencies now available to partners in this program.

Q. Why is the MBS competency not coming online with the others? Why are you taking so long to get MBS partners into the program?
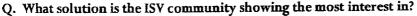
A. MBS partners traditionally engage in a program year that runs from June-July and the decision was made to roll MBS partners into MSPP at this familiar timeframe for Business Solutions partners.

Q. The focus on business solutions seems to put you in direct competition with ISVs, yet you claim this will create new opportunities for them. How do ISVs benefit from these changes?

A. In addition to developing applications, we believe there are abundant opportunities for ISVs with business applications and with Microsoft Business Solutions. They can connect applications, extend solutions to meet customers' needs, and embed functionality to give customers a complete solution. In the months ahead, we look forward to clarifying the opportunities and resources to support ISVs as part of the new Microsoft Partner Program.

Q. What is the importance of partners to the overall Microsoft Business Solutions strategy?

A. We sell, implement and support our products through our partner network that consists of value added resellers (VARs), systems integrators, consultants, solution developers, national, regional and local accounting firms, applications service providers (ASPs), and eBuilders. Our worldwide channel distribution strategy encourages long-term, lasting relationships with and among our community of partners and customers on both the local and global levels. Together, Microsoft and its partners provide strong distribution, marketing, training and support in the business application marketplace to maximize customer reach. Our partners are a critical element to our success.

Q. What solution is the ISV community showing the most interest in?

A. There is broad market opportunity for Microsoft's ISVs. Microsoft has seen a lot of interest in Microsoft CRM and how it can be built upon to deliver tightly integrated, industry-specific solutions. We have more than 1,500 resellers and 300 ISVs in partnership to service the CRM markets. That said there remains a strong and mature segment of the ISV community that is working with our core financial management and supply chain management solutions to meet the needs of our customers for industry solutions.

VERTICAL STRATEGY

Q. What is MBS' vertical strategy?

A. We are currently looking at how to rationalize our solutions for vertical markets. Our strategy is in the development stages and we will share it with you once it becomes available.

Q. I read the story by John Covaleski (posted on WebCPA). What are the 50 industries you're getting involved in?

A. Note we're talking about verticals, not industries. We offer applications across four broad industries today – manufacturing, retail, distribution, and business and professional services. Think of a vertical as a sub-section of an industry. Our vertical strategy initiative is still in the development stages and we will share it with you once it becomes available.

Q. I thought you said your vertical efforts were focused on only four industries to allow greater room for ISV opportunity – why are you now trying to take a bigger piece of the pie?

A. You are referring to our existing industry solutions strategy – this is really about taking this to the next level to deliver on the ISV opportunity. We plan to provide our ISV partners with additional business opportunities through an even better financial application tool set they can use to integrate with their operational software.

Q. What is the ISV opportunity here?

A. We are working closely with our ISV partners to ensure that we are offering unparalleled business opportunities for them. Our goal is to enhance ISV's business opportunities by delivering a strong financial application offering for selected verticals, as well as increased awareness, marketing and reach. Once we have the strategy finalized, we will be sure to share additional details with you.

FINANCING

Q. What is the Total Solution Financing program?

A. The Total Solution Financing program is term financing, available to customers of Microsoft Business Solutions, who can then finance a total solution – software, hardware, ISV solutions and consulting services. The rates are fixed and based on the credit of the customer. Ownership will be transferred to the customer upon completion of payments. Until fully paid, software and hardware generally serve as collateral.

Q. What is Microsoft Capital's role?

A. Microsoft Capital is the backbone of the Total Solution Financing program, providing the funding to Microsoft Business Solutions customers to be able to finance the solutions they need to make their businesses run more efficiently. Microsoft Capital is the financing arm of Microsoft which is focused on developing and introducing innovative financing programs for Microsoft customers and partners.

Q. What is De Lage Landen's role?

A. De Lage Landen is a vendor to Microsoft Capital, providing the lease contract management services on the Microsoft Business Solutions financing program. This means they are working to provide Microsoft Capital the administrative services behind this program.
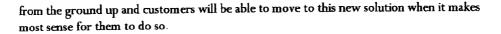
Q. What can be financed under the offering?

A. All Microsoft Business Solutions software and services, hardware servers, network devices and PCs and authorized ISV software delivered as part of the solution, as well as 100% of the partner's implementation services required to get the solution up and running and the first year of maintenance services. In addition, any software from Microsoft can be included (e.g. OfficeXP, SQL Server, Exchange, Biztalk Server). Subsequent software additions and services can be rolled into the existing agreement.

ERP (financial management, supply chain management, customer relationship management, manufacturing and analytics)

Q. What is the strategy for rationalizing the various Microsoft Business Solutions ERP products from Great Plains and Navision into a single offering? When will this strategy come to fruition?

A. Microsoft Business Solutions is committed to continuing to invest in and enhance all existing solutions within the Microsoft Business Solutions product family. However, one of Microsoft Business Solutions' key investments is to develop a totally new and innovative next generation Microsoft Business Solutions business applications suite. This solution will be built
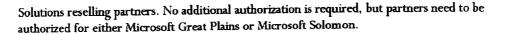
from the ground up and customers will be able to move to this new solution when it makes most sense for them to do so.

Q. How do you differentiate your various ERP products?

A. Our product differentiation can be outlined as follows:

> Axapta – Designed for companies with multi-national operations with particular strengths for advanced manufacturers – script – by multi-national, we mean multi-location, multi-currency and multi-language off of a single instance of the application and database.

> Great Plains – Cross-industry financial management solution for the entire mid-size business segment, with rich out-of-the-box functionality and a broad set of ISV solutions.

> Navision – Cross-industry mid-size financial management solution, with flexibility and tools for building highly customized solutions to address unique business processes.

> Solomon – ERP with particular strength in Project Management and Accounting – script – Microsoft Solomon is focused primarily in the US and Latin American markets.

We look to our channel partners to understand the strengths of the products they sell and provide customers with the best fit. We remain committed to all product lines and will continue to invest across all functional areas of each product, encouraging our channel partners to develop deep skills in fewer products, and pick up complementary or industry solutions such as Microsoft CRM, Microsoft Business Portal, Retail Management System and others to be released.

Q. So, Microsoft does plan to continue support for its existing ERP products?

A. Yes. Microsoft is focused on expanding and strengthening today's solutions, helping ensure customers continue to recognize a return on their investment, increase efficiencies and improve productivity.

MICROSOFT BUSINESS PORTAL

Q. What is the Microsoft Business Portal?

A. Microsoft® Business Solutions Business Portal extends the value of a financial management solution by allowing users throughout a company, and across an extended organization, to access the business information and processes they need to do their work, all from one Web-based portal. As part of Microsoft® Business Solutions–Great Plains® and Microsoft Business Solutions–Solomon business applications, Microsoft Business Portal provides business intelligence and processes to all employees, helping companies reduce information support costs, providing greater access to information and enabling users to complete common tasks more easily. Microsoft Business Portal is sold through Microsoft Business

Solutions reselling partners. No additional authorization is required, but partners need to be authorized for either Microsoft Great Plains or Microsoft Solomon.

Q. How is Microsoft Business Portal priced?

A. Microsoft Business Portal is part of the Foundation Layer for Great Plains and Solomon and is available to customers of those solutions at no additional cost*. Additional capabilities such as the HRM Self Service Suite and Key Performance Indicators are priced on a per-module basis. (Modules within the HRM Self Service Suite are priced from $500 (U.S.) to $2500 (U.S.). Pricing for the KPI module is $3,000 (U.S.).

Individual access to Microsoft Business Portal requires a user license, and there are two types of users for Microsoft Business Solutions:

> The "Professional" User (formerly called System Manager User), with Web- and rich-client access to all licensed servers (Microsoft Great Plains, Microsoft Solomon), including all Microsoft Business Portal features.

> The "Employee" User, with access to all Microsoft Business Portal features including reports, queries, information pages and productivity tools such as employee self-service and timecard entry, but without access to the Great Plains and Solomon business applications. The Employee User license is targeted at all users in the company who do not require the Professional User access. Pricing for employee users is as follows:

- (1-100) $40
- (101-250) $35
- (251-500) $30
- (501-1000) $25
- (1001-2000) $20
- UNLIMITED $40,000

* Because Solomon Standard is offered at a reduced price, we will be charging a module price of US$1500 for Business Portal for Solomon Standard customers only.

Q. Where is Microsoft Business Portal available?

A. Microsoft Business Portal is available as part of Microsoft Great Plains and Microsoft Solomon (U.S. edition) in the United States, Canada, the United Kingdom, Ireland, Belgium, the Netherlands, Luxembourg, Australia, New Zealand, Southeast Asia, South Africa, the Middle East, and Latin America.. Microsoft Business Portal is only available in US English at this time, with additional language availability being planned.

Q. Do Microsoft Business Solutions–Navision® and Microsoft Business Solutions–Axapta® have portal functionality?

A. Yes. Microsoft Axapta and Microsoft Navision are both equipped with portal functionality that is equivalent to Microsoft Business Portal for Microsoft Great Plains and Microsoft Solomon. With Microsoft Axapta Enterprise Portal, businesses can make workflow smoother by allowing employees, customers, vendors, and other business partners to interact directly with Microsoft Axapta.

Portals (Microsoft Navision Commerce Portal and Microsoft Navision User Portal) in Microsoft Navision provide self-service to customers, vendors and other partners, as well as employees via their own personalized Web page, depending on their particular role and access rights.

Q. What are the functional enhancements in the latest release, Microsoft Business Portal 2.0?

A. Microsoft Business Portal 2.0 offers companies the ability to combine the benefits of Windows SharePoint Services with their Microsoft Business Portal deployment. This means that popular Window SharePoint Services capabilities such as document libraries, event calendars and meeting sites can be added to portal pages, Web parts will be easier to update, and external data sources can be more easily linked to portal pages. Also, enhancements have been made to the HRM Self Service Suite, available to Microsoft Great Plains users, as well as added time and attendance functionality for users of Microsoft Solomon. Together, these benefits all add significant new value to the Microsoft Business Portal for Microsoft Great Plains and Microsoft Solomon. Microsoft Business Portal 2.0 began shipping to partners, new customers and existing customers on January 8, 2004.

MICROSOFT BUSINESS NETWORK

Q. What is the Microsoft Business Network?

A. Available as of October 2003, the Microsoft Business Network is software and Web services that will automate how businesses connect with their customers, vendors, and other business partners in the following areas:
> Visibility: provide visibility and self-service with powerful b2c and b2b portal services
> Velocity: increase velocity in transactions and business processes with simpler electronic data interchange (EDI) compatible XML data interchange
> Virtual: enable virtual SCM with services enabling collaborative planning, forecasting, and replenishment (this is more future direction)

Q. What role do other technologies play in Microsoft Business Network?

A. Microsoft Business Network is fueled by the power of .NET, which connects people and

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processes across a range of devices, technologies and locations. It includes built-in support for Web services and Extensible Markup Language (XML), a standard that synchronizes previously incompatible data and applications. The product will also include (via partnerships) interoperability with Electronic Data Interchange (EDI), including other EDI standards organizations and more traditional EDI data transports such as value-added networks (VANs).

For example, we announced today (3/22/04) that we've just completed the proof of concept phase working with Inovis. This and other similar partnership will allow us to extend the reach of Microsoft Business Network, enabling customers to trade information with their business partners regardless of the network technology being used.

Q. Will MBN be complicated to deploy?
A. Actually, we expect that easy installment and use will significantly lower the total cost of ownership, as well as no added transaction fees, a dependable and reliable architecture, and assisted peer-to-peer design for flexible deployment.

Q. Is Microsoft Business Network similar to an online marketplace?
A. MBN connects small and mid-sized businesses with their trading partners, enabling those companies to participate in their own trading community. This private marketplace model differs from the public marketplaces or trading exchanges that have yet to see much success.

Q. How will MBN work with current MBS solutions and other productivity applications?
A. Microsoft Business Network will integrate with other Microsoft Business Solutions applications as well as the Microsoft Office System and Microsoft BizTalk Server, making it easier and more cost effective to share information and transact with each other.

Q. Where is MBN available?
A. In the United States, Canada and New Zealand, with additional international availability planned to begin later in the fiscal year.

SCM STRATEGY

Q. What is Microsoft's supply chain management strategy?
A. Our vision is to deliver solutions that enable our small and mid-sized business customers to run and participate in a borderless supply chain.

Supply Chain isn't really a new concept – but bringing a pragmatic solution to SMBs is something that requires more than simply releasing products to solve point problems.

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This is why in September we launched a prototype project that relies on the capabilities of the Microsoft Business Network, Demand Planner modules, and Event Management templates and integrates with RFID technology. The prototype has been developed to gain key learning's on what solutions a company really needs to have in place. And to gain key knowledge into how to deliver a solution that solves the problems of our business customers in the small and mid-sized business market.

Q. Is this related to Microsoft's KiMs project?

A. Yes. Microsoft is working in partnership with Danish snack food manufacturer KiMs on a pilot project to develop and implement a supply chain management strategy based on Microsoft technology for small and mid-size customers.

Q. Why are you making such a big deal about a pilot when hardly any of the solutions are commercially available now?

A. This is important because we're able to realize the future needs of small and midmarket businesses, and are using RFID as a key element of technology in managing a business' supply chain. MBN, Demand Planner and the event management module are all commercially available today, but geographical availability does vary by product.

Q. What is Microsoft's projected opportunity in the supply chain management market?

A. According to industry analyst firm AMR Research, the global market for SCM is projected to be $6.6 billion in 2005.

Q. When will this actually be available to buy? I heard a lot of this was customized especially for KiMs. And how can I purchase it?

A. In anticipation of a dramatic increase in the adoption of RFID-enabled technology currently predicted, Microsoft Business Solutions has a strategy in place that will help customers leverage the technology using both new and existing Microsoft Business Solutions financial management solutions for manufacturing and distribution companies. Currently, plans are underway to further expand the pilot work in 2004 and to RFID-enable upcoming releases of Microsoft Axapta and Microsoft Navision in 2005. In 2006, Microsoft Business Solutions plans to release a version of Microsoft Retail Management System that is RFID-enabled.

Q. Why is SCM so important to a small or mid-size business – I wouldn't have thought their business was big enough to really care about this?

A. Any business that manufactures or maintains an inventory can benefit from greater insight and visibility into their supply chain. That increased visibility helps to reduce loss of goods and provide a greater knowledge of the status of products at various points in the supply chain,
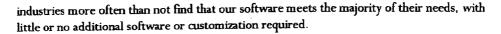
this translates into enhanced productivity and revenue gains for an organization – a benefit any sized company is happy to take advantage of.

Q. Is this just a cut-down version of the type of SCM functionality a larger company would employ?

A. Absolutely not. Microsoft has worked closely with KiMs and with our partners who collaborate with small and midsized businesses to develop a strategy that meets the unique supply chain needs of small and midsized businesses.

Q. Who are Microsoft's biggest competitors in the supply chain management applications business?

A. The small and midsized marketplace for SCM business solutions is still open to many vendors. We see the opportunity for a variety of companies to provide solutions in this market, but feel that Microsoft is best equipped to meet the full breadth of a small and midsized company's SCM technology needs, providing the entire platform including business applications software, servers, operating systems, etc.

Q. When will the RFID middleware be available as part of Navision and Axapta?

A. Currently, plans are underway to RFID-enable upcoming releases of Microsoft Axapta and Microsoft Navision in 2005.

INDUSTRY SOLUTIONS

Q. On what Industries does MBS focus?

A. The majority of our solutions have broad based functionality, such as financials, CRM, core distribution and business intelligence that apply to most all customers in the market. However, we do provide a deeper level of functionality in the four following industries:
> Manufacturing, with more focus and strength in industrial products, automotive, metal fabrication, life sciences and high technology products.
> Distribution, with more focus and strength on hard goods distribution for both industrial products and consumer packaged goods.
> Retail, with more focus and strength in Specialty Retail, such as clothing stores, sporting goods, hardware, etc.
> Business Services with more focus and strength from our project management and accounting applications in IT and management consulting, engineering firms as well as internal project focused teams in any company.

Q. Does MBS provide all the software that a company needs in these industries?

A. No. We do not believe any software company can do it all. The gaps are always filled either by custom development or ISVs. However, we do find that midsize customers in these four

industries more often than not find that our software meets the majority of their needs, with little or no additional software or customization required.

Q. What does MBS offer in all other industries?

A. In general, customers have a very diverse set of needs based on the businesses they are in and the products and services they deliver. That's why we provide a solid foundation of core functionality and proactively work with hundreds of ISVs to deliver targeted functionality that is specific to their businesses and the industry they are in. This is true both for our four targeted industries as well as all other industries.

Q. How do your solutions differ from those offered by the Industry Solutions Group within Microsoft?

A. Microsoft Business Solutions targets the small and midsize markets while ISG focuses on the enterprise.

Q. What is Microsoft Business Solutions Project Management and Accounting solution?

A. Project Management and Accounting provides new ways for a project-driven organization to improve its project efficiency and profitability and adapt quickly to changing conditions. Based on the Solomon Project Series suite and Microsoft Project 2002, Microsoft Project Management and Accounting combines best-of-breed functionality with tremendous flexibility, project-driven organizations to serve their customers better. The Project Management and Accounting solution provides integrated resource management, project management, knowledge management, time and expenses, project accounting, financials, reporting, and analytics.

MANUFACTURING

Q. How many manufacturing products do you have now?

A. Microsoft Business Solutions Manufacturing is available in four editions: Navision, Axapta, Great Plains and Solomon.

Q. What is the Axapta Lean solution you are delivering with en'tegrate?

A. We continue to work closely with our wide range of ISV partners delivering solutions that meet the needs of our manufacturing customers. One such partner is en'tegrate. En'tegrate has built an add-on module for Microsoft Business Solutions – Axapta that furthers the application's ability to support lean processes.

Q. Is en'tegrate a preferred partner over other ISVs? Is this agreement to develop lean modules with them exclusive?

A. It is not an exclusive agreement, now we would label any ISV as preferred over another ISV. We simply recognize that en'tegrate has built a strong solution that current and future Axapta customers may benefit from.

Q. Why is lean manufacturing so important in the SMB space?

A. Small and mid-size manufacturers are constantly struggling to find better ways to compete with their larger counterparts. Providing superior customer service and lowering inventory levels, i.e., running a leaner operation, allows them to remain competitively viable. Right now the economy dictates a business's need for lean. Technology is a critical component of small and mid-size manufacturers' success.

DEMAND PLANNER (ERP MODULE FOR NAVISION AND AXAPTA)

Q. What specific customer needs does this product meet?

A. Businesses are constantly under pressure to improve their customer satisfaction while reducing their operational costs. The phenomenon of ever increasing customer expectation, in an environment where businesses compete aggressively to retain and gain customers, makes it even more important for businesses to align their operations with the customer demand. Businesses can become demand driven by establishing demand planning practices and subsequently using the demand plan to plan their operations and manage resources.

Q. Did Microsoft build this technology?

A. Microsoft purchased this technology from TXT as an add-on solution for its core financial management products Microsoft Business Solutions – Axapta, Microsoft Business Solutions – Great Plains and Microsoft Business Solutions – Navision.

Q. Why are you working with an OEM to build the technology rather than with one of more of your ISV partners?

A. We view this functionality as required to fill the functional gaps in the core horizontal solution for manufacturers and distributors. Our ISV partners will have more opportunity to know build vertically on top of this demand planning solution.

Q. Does this solution compete with any of your ISVs current offerings?

A. There is a small amount of overlap with other ISV solutions. However, it will be integrated into the products' horizontal layers to help cover the functional requirements needed by our customers.

Q. How does this fit into Microsoft's overall supply chain strategy?

A. Demand Planner is part of Microsoft Business Solutions strategy to continue to provide comprehensive, cost effective, collaborative supply chain management solutions designed specifically for midmarket manufacturing, wholesale distribution and transportation businesses. The Microsoft SCM offerings deliver comprehensive integration with the core Microsoft Business Solutions enterprise resource planning (ERP) products, as well as central operations functions, including supply chain management capabilities, business workflow automation and seamless collaboration within and across companies, to help them make better operational decisions, reduce costs and improve responsiveness.

CRM

Q. What is the value proposition of Microsoft CRM?

A. The solution is designed for small and mid-size businesses and divisions of larger enterprises. It's a natural fit to their existing environment because of the solution's access through Outlook and the Web. It is easy to deploy and configure so mid-size businesses will quickly recognize return on investment from their solution. Finally, it is an integrated CRM solution where sales and customer service are part of the same solution, and it will be integrated to our other business solutions offerings.

Q. What new functionality was included in the 1.2 release?

A. Microsoft CRM 1.2 offers improved functionality, workflow enhancements, improved reporting with Crystal Enterprise 9; an improved setup experience; and compatibility with Microsoft Windows Server, Exchange Server, Small Business Server and the Microsoft Office System, with an enhanced development environment for the Outlook client.

Q. In which languages and geographies is Microsoft CRM 1.2 available?

A. Microsoft CRM 1.2 is available now in International English, French, German, Italian, Spanish, Brazilian Portuguese, Danish and Dutch. There are no geographic limits to where we sell Microsoft CRM; the only limits are the languages that are offered.

Q. When will the next release of Microsoft CRM be available?

A. Microsoft CRM is on an approximate 12 month release cycle. We will provide additional details as the timeline develops.

Q. When will Microsoft CRM 1.2 be integrated with Axapta, Navision, Great Plains and Solomon?

A. The current schedule for integration to Microsoft CRM follows. As with any development schedule the closer the date the likelihood of greater accuracy in availability.

> Microsoft CRM (1.0/1.2) to Solomon (5.0/5.5) – CY Q2 2004

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> Microsoft CRM 1.2 to Great Plains (7.5) - CY Q4 2003
> Microsoft CRM (2.0) to Navision (4.0) – TBD
> Microsoft CRM (2.x) to Axapta – TBD
> *Please note these dates may vary by country.*

Q. What is Business Contact Manager for Outlook 2003?
A. Business Contact Manager is a single-user contact management add-on for Microsoft Office Outlook 2003 which helps individual entrepreneurs and salespeople in a small business (with less than 25 employees) track business contacts and sales opportunities.

Q. How is the Business Contact Manager different from Microsoft CRM?
A. Think of Business Contact Manager as an entry-level CRM solution for small businesses. There are several key differences between the two applications. First, Business Contact Manager is a single user desktop application, while Microsoft CRM is a client-server application that works in a multi-user environment. Second, Microsoft CRM offers rich CRM functionality, such as worfkflow support and customer incident tracking, while Business Contact Manager provides small businesses contact management tools to help manage their customer interactions and sales opportunities. Third, Microsoft CRM is targeted at businesses with 25 employees or more, while Business Contact Manager is aimed at businesses with 25 or fewer employees. Finally, Business Contact Manager will be offered as an add-on for purchasers of Office or Outlook, while Microsoft CRM is sold separately through reseller partners. As the business grows and develops more complex customer relationship management needs, a BCM user can easily migrate to the Microsoft CRM solution.

RETAIL

Q. What is Microsoft's retail strategy?
A. Microsoft Business Solutions retail strategy is to empower small and midsized retailers by providing an integrated point of sale (POS) solution with broad functionality that is easy to use and install, provides a low total cost of ownership and enables these companies to grow profitably by closing deals across a broad market segment.

Q. Where does Microsoft Retail Management System fit into the business group and when will better integration with other Microsoft Business Solutions products be available?
A. For independent retailers, Microsoft Retail Management System offers very strong financials integration support to both third party and Microsoft Business Solutions products, including Small Business Manager, Great Plains, Solomon and QuickBooks. We have received

considerable feedback from our small and mid-size retail customers that the integration support offered through Microsoft Retail Management System has greatly benefited their businesses. The depth of integration will continue to be strengthened in subsequent releases.

Q. Will your retail offering expand beyond point of sale? For example, other ERP vendors have very focused retail business applications, such as mySAP Retail.

A. There are no plans for a solution for larger retailers served by mySAP Retail. The current Microsoft Business Solutions retail product is a complete in-store automation solution for small and midsize retailers. Microsoft Business Solutions and the Microsoft Retail and Hospitality Industry Solutions Group, in conjunction with their developer partners, offer many collaborative products to address the unique business needs of small and midsize retailers.

Q. How do you define the competitive landscape for RMS? Who are your top 3 competitors?

A. We consider our top competitors to be RetailPro, ComCash, Cam Commerce and Intuit Quickbooks POS. It's also important to note that in the small and midsized retail space, inertia is also a big competitive factor. Many small retailers have yet to realize the true business value behind store automation and are still using a manual system to keep track of order inventory, as well as balancing their books.

Q. What does a typical Microsoft Retail Management System customer look like? Is this the ideal target customer in your mind?

A. The typical Microsoft Retail Management System customer owns and manages 1 to 10 small retail stores with annual revenues of $1-2 million per store. The customer typically has one to two lanes per store and is a specialty goods retailer selling items that are easily merchandised and priced in the store.

Q. What factors play into today's retailer making technology upgrade decisions?

A. Retailers have hung onto their existing POS technology for years due to cost and stability considerations. It has been difficult for them to cost-justify replacing technology that "still works." However, the gap today between retailer requirements and the capabilities of installed systems has widened to the point that store system upgrades are currently being planned and undertaken. In turn, retailers are considering what technological solutions are currently available.

Q. How do retail partners play a role?

A. Microsoft and its retail partners deliver many solution offerings, including Microsoft platforms, client and server software, and retail-specific line-of-business applications, technology, etc. Together we can understand customer business challenges, invest in

research and development and advocate standards that will broaden the adoption and benefits gained from technology. Together we provide solutions that are "better together."

RFID & CONSUMER PRIVACY

Q. Isn't RFID going to dramatically impact consumer privacy in the future by tracking everything and everyone?

A. It is important that the benefits of RFID are enabled while at the same time respecting the privacy concerns and expectations that consumers have about their information. With the proper implementation of RFID, we believe both the benefits and concerns can be addressed. Microsoft believes that ensuring privacy means putting people in control of their personal information through a combination of technology and business practices. We are committed to working with our partners to develop practices that safeguard privacy and help to ensure secure handling of private data. RFID technology by itself does not identify who you are or what you are doing. When RFID data is recorded in business transactions and combined with personal information, the principles of Fair Information Practices, which are supported by Microsoft, give guidelines for handling that private information. These include the principles that business should notify customers when RFID is in use, and provide them with the opportunity to "opt out" by removing or deactivating the tags on purchased items, particularly in any situation where personal information is combined with RFID data.

Q. How can Microsoft ensure that its current and future RFID efforts won't invade consumers' privacy?

A. Microsoft has developed and deployed a set of standards that govern how all technology manages our principles of information collection and use. These principles are based on the Fair Information Practices. These standards provide a guide to all developers to ensure that all technology we provide to our customers meets the principles of putting people in control of their information. We are committed to working with our partners to develop practices that safeguard privacy and help to ensure secure handling of private data.

Q. Are Privacy fears around RFID just hype?

A. Much of the current RFID debate centers on the risks that this technology could create as it's use evolves and if the appropriate balance between leveraging the benefits of this technology while respecting the privacy of personal information are not dealt with together. With the proper implementation of RFID, we believe both the benefits and concerns can be addressed.

SMALL BUSINESS MANAGER

Q. Let's be honest, with the acquisition of Great Plains, you shifted your focus to encompass mid-market/medium enterprise - is small business still a key priority of the Microsoft business?

A. Absolutely – Microsoft as a whole is dedicated to the small business space. Support for the SMB market is part of Microsoft's heritage and the company will continue to provide small and mid-sized businesses with the technology and support resources they need.

Q. What is Microsoft Small Business Manager?

A. Microsoft Small Business Manager is an affordable, flexible financial management solution that connects the people, information, and processes that help you manage your business more effectively. Easy to set up, customize, and use, it helps you increase productivity, make informed decisions, and improve business performance.

Ideal for companies that need more than basic accounting software, Small Business Manager offers fully integrated financial management, sales, purchasing, inventory, payroll, and reporting capabilities. It adapts easily to changing needs with increased financial controls, reliable multi-user access, unlimited storage capacity for transactions and records, and the ability to scale as your business grows.

Q. I saw in a recent InformationWeek article that said support for Small Business Manager 7.0 is being discontinued, is this true?

A. Current version releases and also future releases of MBS products have aligned to the Microsoft Product Lifecycle Policy, and thus will have support available for a minimum of 3 years from the date of original availability. This is part of our ongoing alignment efforts. However, we did not retrofit all previous versions supported to this new to-MBS policy, and therefore, the timeframe for support of previous MBS product versions is variable. Currently the timeframe for discontinuing support for SBM 7.0 is expected in late July 2004.

Q. Who is the target customer?

A. The target market for this solution is small businesses with 25 or fewer employees and less than $5 million USD in revenue.

Q. Small Business Manager still lacks features that QuickBooks Enterprise has – how do you expect to compete with them?

A. When designing Small Business Manager, we focused on meeting the needs of customers outgrowing packaged software. We offer small businesses greater breadth of functionality and control in a single package that is affordable and easy to use. We are confident Small Business Manager is the right choice for companies that need to move beyond basic accounting software.

Q. Isn't Small Business Manager too high-end and complex for small businesses?

A. Small Business Manager was designed specifically for small, growing companies with less than 25 employees and less than $5 million in revenues. It was designed specifically for small businesses outgrowing basic bookkeeping software and it is well suited for any small business looking for a powerful, easy to use business management application. Special attention has been given to the features, functionality, and user interface to be sure it is appropriate for this target market.

Q. What is the product pricing?

A. Pricing for Small Business Manager begins at $995 for a single user license and ranges to $2495 for a multi-user (five) license. Specifically, it is $995 for the Business Management Suite and $1495 for Business Management/US Payroll Suites for a single user and $2495 for a multi-user Business Management Suite, and $2995 for Business Management/US Payroll Suites, which includes up to 5 concurrent users.
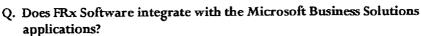
MAGELLAN

Note: We should not discuss Magellan at this time. See messaging Doc.

FRx SOFTWARE

Q. What is FRx Software Corporation?

A. FRx Software is a wholly owned subsidiary of Microsoft Corporation and a part of Microsoft Business Solutions. FRx Software's financial analytic suite of applications extend the value of an ERP solution by allowing users throughout a company to gain greater visibility and control of their financials to improve the overall performance of their company. FRx Software has two core products -- Microsoft Business Solutions for Analytics–FRx, a financial reporting application that gives companies immediate control of the financial reporting process. The product is integrated and available with Microsoft® Business Solutions–Great Plains®, Solomon and Axapta, with an integration to Navision to follow shortly. Microsoft Business Solutions for Analytics–Forecaster makes it easy for a company to immediately realize the benefits of a budgeting and planning application. Microsoft Forecaster is available today with all of the Microsoft Business Solutions ERP offerings.

Q. What is the vision driving FRx Software?

A. To transform financial reporting, budgeting and planning processes, by giving decision makers a comprehensive view into their business, in a timely, accurate and cost-effective manner.

Q. Does FRx Software integrate with the Microsoft Business Solutions applications?

A. Yes, Microsoft FRx is integrated with Microsoft® Business Solutions—Great Plains, Solomon and Axapta GLs, with plans for integration with Microsoft Navision by the end of CY04.. In addition, a single-user version has been specifically packaged to be sold as an add-on to Small Business Manager 7.5. Microsoft Forecaster can be sold as an add-on to any of the four Microsoft Business Solutions ERP packages.

Q. How does Microsoft Business Solutions for Analytics–FRx work?

A. Microsoft FRx, with its spreadsheet-like interface, integrates with more than 50 midmarket accounting systems including applications offered by Best, Epicor, MAPICS, Geac, Ross, Elite, CMS, McKesson, and of course Microsoft Business Solutions. It can consolidate financial data from disparate accounting systems even if they use different code structures, fiscal years, or server sites. Application servers provide report scheduling and automatic e-mail report distribution.
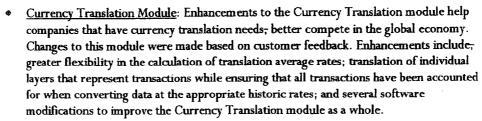
Q. What is Microsoft Business Solutions for Analytics–Forecaster?

A. Microsoft Forecaster is a budgeting and planning application that gives companies immediate control of the budgeting process by utilizing the power of the. Microsoft Forecaster gives companies confidence that the resulting budgets and plans are realistic and accurate and allows managers to monitor the status of their business on a daily basis, and respond to new business opportunities and challenges.

Q. With FRx being acquired by Microsoft Business Solutions doesn't this create a competitive environment with existing partners like Best Software and MAPICS that compete directly with MBS?

A. Like MBS, FRx is very focused on their partner strategy, and we work with our partners to maintain healthy long-term relationships. Given the nature of FRx Software's offerings and Microsoft Business Solution's offerings, however, there is inevitably going to be some direct competition between MBS and FRx partners.

FRx 6.7(Announced the week of March 15, 2004)

Q: What are the major enhancements in FRx 6.7?

A. FRx 6.7 includes three major enhancements:

- FRx® Report Manager Module: Report Manager is an optional add-on module to FRx 6.7 that automates the time-intensive process of creating and distributing a single comprehensive report book that can include multiple types of documents and files and supports multiple output options. With the ability to create and easily distribute reports electronically, this new module is significant to companies with broad report packaging needs, including those that have operations around the world or simply have a need to support a more mobile executive team.

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- Currency Translation Module: Enhancements to the Currency Translation module help companies that have currency translation needs, better compete in the global economy. Changes to this module were made based on customer feedback. Enhancements include, greater flexibility in the calculation of translation average rates; translation of individual layers that represent transactions while ensuring that all transactions have been accounted for when converting data at the appropriate historic rates; and several software modifications to improve the Currency Translation module as a whole.

- XBRL Upgrade: FRx 6.7 remains at the forefront of advances in Extensible Business Reporting Language (XBRL) technology, the support of the 1.0 taxonomy has been upgraded to the 2.0 standard. FRx Software understands the need for users to transfer complex, highly confidential corporate financial information to regulators, banks, investors and boards of directors using a trusted standard of financial communication.

Q. When will FRx 6.7 be available to MBS customers?
A. FRx 6.7 and Report Manager will be ready to ship at the end of March and will be rolled out to the MBS' ERP product lines and other partner ERP product lines based on that partners schedule. Following is the MBS schedule:

> Axapta 3.0 and **Small Business Manager** -- FRx 6.5 will be all that is available with these two products

> Axapta 4.0 -- no date that we can commit to at this time but integration with FRx 6.7 is currently being reviewed

> Great **Plain 7.5 and 8.0** -- Great Plains will receive FRx 6.7 from us in May to be released to their customers in June.

> Solomon **5.5 and 6.0** -- Solomon will receive FRx 6.7 from us in May to be released to their customers in June.

Q. In what countries is FRx 6.7 available?
A. FRx 6.7 is available globally wherever partners take the product. The product is available through direct sales channels and partner sales channels in the UK, Singapore, and Australia. FRx has direct integrations built to over 50 ERP systems sold around the world including Microsoft Business Solutions, MAPICS, Epicor and Best among others. The product is also available for sale through FRx Software's Analytic Solution Provider channel, which use a tool called Integration Designer to automate the extraction transformation and loading (ETL) of general ledger data for use by FRx, allowing easy creation of an FRx integration to nearly any midmarket ERP application.

Q. Does the product support language translation?
A. FRx 6.7 is currently available in English with translations to French, Spanish and German to come by the end of CY04.
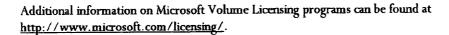
VOLUME LICENSING

Q. Why are you offering Microsoft CRM through the Microsoft Volume Licensing program?

A. Customers that acquire Microsoft software through Volume Licensing want a consistent way to also acquire Microsoft CRM. This new offering enables customers to have a similar purchasing process and single invoice. It also allows organizations to realize significant potential savings on their Microsoft licenses.

Q. When will you consider including Microsoft Business Solutions ERP applications in Volume Licensing?

A. These changes, across both compensation and distribution, will not include our financial management solutions (Great Plains, Solomon, Navision and Axapta) or our FRx solutions. Continue to use the current Microsoft Business Solutions ordering processes for these products.

A decision to include a business application in Volume Licensing requires an extensive review process because it means changes to channel models, to systems, and to solution pricing. Today, Volume Licensing equates to open distribution and Microsoft Business Solutions currently believes that the best distribution model for global financial management solutions is through a certified channel. When we're able to have the customer and partner benefits of volume licensing, and distribute the global financial management solutions through a certified channel, we will consider a change to the model. In addition, the results from the changes to the Microsoft CRM model will help us better understand the benefits of Volume Licensing to both our customers and partners. Any decisions to include our financial management or FRx solutions in Volume Licensing will be announced at least six months in advance of the change.

Q. What are the benefits of the Volume Licensing program?

A. Now Microsoft CRM customers can receive the same advantages as their other Microsoft volume licenses. Key volume licensing customer benefits include these:

> The opportunity for organizations to realize significant potential savings on their Microsoft licenses by adding Microsoft CRM to new or existing volume licenses

> The ability to spread payments in Open License Value, Select, Enterprise Agreement, Multi-Year Open (MYO) and Open Subscription License (OSL)

> Access to tomorrow's technology at today's prices through Software Assurance (SA). In addition to budget predictability, customers can enjoy the many benefits SA offers including support, training and deployment resources that help enable employees to work more efficiently than ever.

Additional information on Microsoft Volume Licensing programs can be found at
http://www.microsoft.com/licensing/.

SECURITY

Q. What is the Trustworthy Computing Initiative?

A. Two years ago, Bill Gates committed himself and the company to fundamentally change Microsoft's computing technology, policies and practices to improve security, privacy, reliability and business integrity, to the point that computing becomes as constant and effective as telephony and other essential services. This is a long-term, global initiative that will be actualized over the next decade.

Q. What are the goals for TwC? What about the roadmap — how will you know if you are on track?

A. The primary goal of TWC is to provide a safe, private and reliable computing experience for everyone. We know that achieving Trustworthy Computing will not be an easy task and that it will take several years, perhaps a decade or more, before systems are truly trusted. At Microsoft, we are working to address existing security concerns and improve the design process of our products moving forward to develop systems that are architected for trust — so you don't have to worry about them, they just work.

Q. The initiative is in its second year, yet security vulnerabilities and issues haven't abated. Isn't this proof that Trustworthy Computing has failed?

A. No. TwC has not failed and Microsoft remains committed to TwC, of which security is only one part. We have always maintained that TwC is long-term commitment that will take incredible investment and effort from Microsoft and the industry over many years. From a security perspective, TwC means reducing vulnerabilities in code and making our software more resistant and resilient to attack. The security review of Windows Server 2003 is an important step along the path of TwC and you should expect there will be other evolutions as we make our software more and more trustworthy.

Q. If you're touting Outlook integration in Microsoft CRM, how will you ensure that customers' data is safe?

A. Microsoft Outlook has many safeguards built in to protect data, and a whole new level of security has been designed into the last two releases. Microsoft CRM takes advantage of that and has the additional security of using a separate data store to protect customer information. In the last 18 months we have re-trained 18,000 developers, instituted a wide array of new, more secure development practices, provided our developers with enhanced tools and delivered a broad set of tools to both consumers and business customers. We are working

closely with industry partners, influentials, and directly with our customers to do everything we can to make sure that our customers get and stay protected.

GENERAL MICROSOFT

Q. What is Microsoft .NET?
A. Microsoft .NET is software technology across the entire Microsoft product line that enables customers to easily and consistently connect their people, information, systems, and devices to meet their unique business needs. .NET enables different technologies (different devices, older systems and newer systems) to "talk" to each other so that the right information, processes or functionality can be accessed or connected where and when it is needed.

Q. Why did Microsoft announce changes to the .NET name?
A. In response to customer and partner feedback to provide clarity around our .NET strategy and programs. Specifically, we are moving toward a branding approach where ".NET Connected" is the way we communicate our products (and our partners products) that enable customers to easily and consistently connect disparate information, systems and devices to meet their people and business needs, regardless of underlying platform or programming languages.

Q. What is Longhorn?
A. "Longhorn" is the codename for the next release of the Windows operating system. The next version of Windows, codenamed "Longhorn" enables a new generation of applications that are information-driven, built for a connected world, offer breakthrough user experiences and take full advantage of the latest PC hardware.

Q. What is the reason for the delay to the release of Longhorn?
A. We don't consider it a delay. As we've been saying from the onset, operating system development takes time. We are currently sketching out the developer milestones, and will share further details as a timeframe becomes more concrete.

Q. What is the current timing for beta one of Longhorn?
A. We expect to release the first beta in the second half of 2004. The final release will ship when we've incorporated customer and partner feedback from the beta process, and the code meets the quality standards our customers require.

Q. Does this mean there will be an interim build of Windows?
A. Our customers have told us they continue to be extremely pleased with Windows XP. Therefore, we do not have plans for an interim build. Since its launch in October 2001,

Windows XP continues to be the fastest-selling operating system ever with over 130 million copies licensed through retail stores and on new PCs.

Q. So Linux developers can update an OS in a matter of months and it takes Microsoft almost five years?

A. Innovation continues at a rapid pace on Windows. We're most proud of customer response to Windows innovation this last fall. The line-up is impressive: Windows XP Media Center Edition, Tablet PC and DMD updates (WMP 9, Movie Maker 2.0, Plus Pack). These all accrue to Windows and illustrate how our pace of innovation is actually faster now than ever before.

Q. What is the Office System?

A. The "Microsoft Office System" is the new way of referencing all the Microsoft Office-branded applications, servers and services that, together, will enable enterprise customers to enhance the value of their business information.

Q. What is included as part of the Microsoft Office System?

A. The Microsoft Office System includes the traditional Microsoft Office core suite of applications (Microsoft Office Word, Microsoft Office Excel, Microsoft Office PowerPoint, Microsoft Office Outlook and Microsoft Office Access), in addition to Microsoft Office Visio, Microsoft Office Publisher, Microsoft Office FrontPage, Microsoft Office SharePoint Portal Server, Microsoft Office Project, and new additions Microsoft Office InfoPath, Microsoft Office OneNote, Windows SharePoint Services and Microsoft Office Real-Time Collaboration Server.
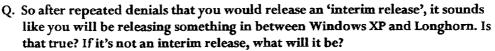
WINDOWS XP RELOADED

Q. Is Windows XP Reloaded a new or "second edition" version of Windows XP?

A. No. 'Windows XP Reloaded' has been the informal phrase used for internal discussion around ways to continue to add value to the current Windows XP platform. It does not refer to a specific product, but rather the exploration of a variety of options for delivering value to customers around Windows.

Q. Is this an interim release of Windows?

A. No. 'Windows XP Reloaded' has been the informal phrase used for internal discussion around ways to continue to add value to the current Windows XP platform. It does not refer to a specific product, but rather the exploration of a variety of options for delivering value to customers around Windows

Q. So after repeated denials that you would release an 'interim release', it sounds like you will be releasing something in between Windows XP and Longhorn. Is that true? If it's not an interim release, what will it be?

A. Development work on the Windows platform is on-going as you can see especially in our work around Tablet and media services, which will be updated this year, and the Windows Media Center PC which will incorporate Extender technology announced at CES this year. And therefore, discussions about how we can continue to add value to the platform and deliver valuable enhancements to our customers is also on-going. Over the years we have done this in a variety of ways and so it's premature to speculate.

Q. Is Longhorn slipping? If resources are diverted away from Longhorn to Service Pack 2 or Windows XP Reloaded, will it push Longhorn out?

A. Longhorn development is a top priority. It has dedicated resources who are passionate about delivering a compelling product. They are doing great work and are on track to deliver a beta by the end of the year. Work on Service Pack 2 and other continuous innovation around Windows will have no impact on the dedicated Longhorn resources.

Q. Is Reloaded a product?

A. No, Reloaded is not a product. It is an internal term that refers to the effort to examine ways to continue to add value to the XP platform.

Q. If Reloaded results in new XP features, how will Microsoft release those new features?

A. No decisions have been made. In the past, we have made new technologies available through a number of means, including service packs, out-of-band releases and downloadable updates. (Examples include: XP SP1, downloadable XP support for Wi-Fi Protected Access and Wireless Provisioning Services, which was downloadable and enhances the XP wireless experience at public hot spots.)

Q. Will reloaded technologies be available at retail and on new computers?

A. No decisions have been made.

Q. When might reloaded technologies be available?

A. Right now we are very focused on delivering Windows XP Service Pack 2, which is due by in the first half of this year. After we release SP2, we will turn our attention to further ways to continue to add value to the XP platform.
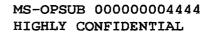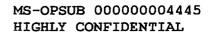
COMPETITIVE

Q. Will the potential consolidation of the industry, signaled last year by Oracle's attempt to acquire PeopleSoft, alter Microsoft's strategy for business applications?

A. *Please note we cannot comment specifically on the Oracle/PeopleSoft DOJ matter.*
No. Our knowledge of business and customer needs is informed by more than 20 years of experience as a trusted partner delivering products, services and support to businesses large and small. The successful companies and reliable products that have come together to form Microsoft Business Solutions have the breadth and depth to reassure companies entrusting us with their most important business processes.

Q. Does Microsoft Business Solutions see Microsoft enterprise application partners like SAP, Peoplesoft, and IBM as competitors?

A. The small and mid-sized business segments are highly competitive and largely underserved today creating a significant opportunity for multiple companies to effectively co-exist. As some of the large enterprise ISVs move down-market, we will compete in some areas for the same customers. At the same time, Microsoft will continue to support our long-standing, healthy relationships with many of the large ISVs that build on our platform to deliver solutions to enterprise customers.

Q. Does SAP Business One's availability or potential price cuts affect Microsoft's Business Solutions group?

A. The small and midmarket business segments are highly competitive and largely underserved today creating a significant opportunity for multiple companies to deliver on customer needs. Microsoft has served the needs of small and midmarket businesses for more than 20 years and feels confident about its intense focus and long-term investments in these segments.

Q. How does Microsoft differentiate its own business solutions vs. SAP's Business One?

A. Microsoft Business Solutions differentiates itself by offering end-to-end, scalable solutions that are designed specifically for the small and midmarket. Microsoft Business Solutions has a proven track record in the SMB, serving the needs of these businesses for more than 20 years. In the end, small and midmarket customers will make their own choices about which products and technology platforms best suit their business requirements. Microsoft Business Solutions is a 100% partner-driven organization, with more than 6,000 certified channel partners already in place who have deep expertise and knowledge of business applications.

Q. Aren't Microsoft and Siebel on a collision course to compete against one another in the enterprise?

A. Microsoft has no plans to move up market. In fact, the overall strategy is to move out in the market and not up. Microsoft CRM is targeted specifically for small and midmarket companies, and that is the market Microsoft will continue to serve. As both companies expand their businesses, as with Siebel's recent announcement, there will be some level of competition. Microsoft and Siebel will continue to partner in some ways and compete in others. Co-opetition is a common theme.

Q. But Siebel is definitely moving into the SMB marketplace, so you'll compete for those customers?

A. Microsoft Business Solutions has a long history of developing solutions specifically for small and midsized customers, and Microsoft CRM was developed from the ground up specifically to meet the unique needs of this segment. Siebel Professional Edition is not exactly new, it is a re-branded and re-packaged version of a product Siebel was already selling in the upper midmarket space. However, there may be situations in the small and midmarket segment where meet each other in the sales cycle.

Q. Isn't the Salesforce.com hosted subscription model superior to on-premise solutions when selling to midmarket companies, because of the lower TCO and lack of implementation hassles?

A. The decision to rent a subscription model will be a matter of preference as much as cost—customers will be those who are comfortable with data residing off-premises and who simply don't want to purchase, implement, and maintain an in-house solution. With Microsoft CRM, customers have the option to purchase a hosted online solution as well as an on-premise solution. Through its partners, Microsoft Business Solutions is able to give customers this choice, providing an application built on .NET technologies, supported by industry-standard technologies, and designed for low TCO, with robust integration and customization tools included.

Q. Best/Sage has significant market share and mindshare in the small and midmarket as well as an entry level product in Peachtree. How does Microsoft Business Solutions plan to compete?

A. Small and mid-size customers are looking for affordable solutions that will help them streamline their business, increase efficiency and decrease costs. Microsoft Business Solutions offers end-to-end solutions that work together so customers don't have to endure the time and cost of bridging together disparate products. Microsoft is focused on expanding and enhancing existing solutions, surrounding them with new product offerings, while simultaneously developing a single code base so allowing customers to take advantage of the power of the Internet through Web services. Microsoft has been serving the needs of small and mid-size businesses for more than 20 years and feels confident about its long-term investments in the small and mid-size business segments.

Q. Do you see Intuit as your primary SMB accounting competitor?

A.   Intuit has an established presence in the low end of the accounting software market. Microsoft Business Solutions offers a broad set of solutions such as accounting, payroll, human resources, CRM, manufacturing, retail, etc, to the small and mid-size business segments.